

SEC



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Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

## SEC FILE NUMBER

8- 40413

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BUCKMAN, BUCKMAN & REID, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

174 PATTERSON AVENUE

(No. and Street)

SHREWSBURY

(City)

NJ

(State)

07702

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

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FIRM I.D. NO.

PROCESSED

MAR 20 2008

THOMSON  
FINANCIAL

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

MCGUIGAN TOMBS & COMPANY

(Name - if individual, state last, first, middle name)

2399 HIGHWAY 34, BLDG. D

(Address)

MANASQUAN

(City)

NJ

(State)

08736

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.SEC  
Mail Processing  
Section

FEB 28 2008

Washington, DC

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102

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

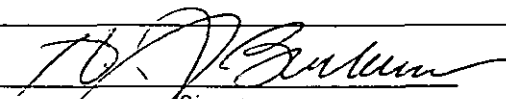
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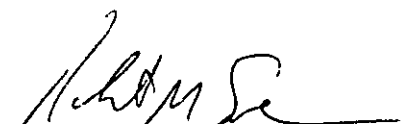
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## OATH OR AFFIRMATION

I, H. JOHN BUCKMAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BUCKMAN, BUCKMAN & REID, INC., as of DECEMBER 31,, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
Signature  
**CHAIRMAN**  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Buckman, Buckman & Reid, Inc. and Affiliate

We have audited the accompanying consolidated statements of financial condition of Buckman, Buckman & Reid, Inc. (a New Jersey corporation) and Affiliate as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buckman, Buckman & Reid, Inc. and Affiliate, as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGuigan Tombs & Co. PC*

McGuigan Tombs & Company, P.C.  
Certified Public Accountants

Manasquan, New Jersey  
February 6, 2008



**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Consolidated Statements of Financial Condition  
December 31, 2007 and 2006

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 304,230	\$ 621,621
Deposit with clearing organization	100,000	100,000
Securities owned		
Marketable, at market value	723,125	599,455
Receivable from clearing organization	-	357,010
Other receivables	191,980	136,169
Prepaid expenses and other assets	151,192	98,856
Property and equipment at cost, net of accumulated depreciation of \$180,856 in 2007 and \$170,205 in 2006	<u>21,756</u>	<u>25,607</u>
	<u>\$ 1,492,283</u>	<u>\$ 1,938,718</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 691,899	\$ 1,221,267
Payable to clearing organization	61,912	-
Marketable equity securities sold short	47,085	-
Obligation under capital lease	-	4,081
Subordinated loans	<u>360,000</u>	<u>360,000</u>
Total liabilities	1,160,896	1,585,348
Stockholders' equity		
Common stock, no par value - authorized 10,000 shares; issued and outstanding 2,408 shares	248,212	248,212
Additional paid in capital	52,166	52,166
Retained earnings	<u>31,009</u>	<u>52,992</u>
Total stockholders' equity	<u>331,387</u>	<u>353,370</u>
	<u>\$ 1,492,283</u>	<u>\$ 1,938,718</u>

See accompanying notes to financial statements

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Revenues		
Commission and concessions	\$ 4,331,667	\$ 4,652,713
Management and consulting fees	3,019,077	2,596,688
Trading (loss)	(64,060)	(94,344)
Interest income	<u>438,498</u>	<u>262,645</u>
Total revenues	7,725,182	7,417,702
Expenses		
Employee compensation and benefits	5,675,048	5,526,407
Clearance charges	595,345	557,338
Communications and information services	365,627	357,511
Occupancy and equipment	208,466	198,980
Other operating expenses	835,583	493,985
Interest expense	<u>49,646</u>	<u>39,985</u>
Total expenses	<u>7,729,715</u>	<u>7,174,206</u>
Net (loss)/income before provision for income taxes	(4,533)	243,496
Provision for income taxes		
Federal	7,500	88,000
State	<u>9,950</u>	<u>12,000</u>
Total expense for income taxes	<u>17,450</u>	<u>100,000</u>
Net (loss)/income	<u>\$ (21,983)</u>	<u>\$ 143,496</u>

See accompanying notes to financial statements

***BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE***  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the Years Ended December 31, 2007 and 2006**

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as of December 31, 2005	\$ 248,212	\$ 52,166	\$ (90,504)	\$ 209,874
Net income	<u>          </u>	<u>          </u>	<u>143,496</u>	<u>143,496</u>
Balance as of December 31, 2006	\$ 248,212	\$ 52,166	\$ 52,992	\$ 353,370
Net (loss)	<u>          </u>	<u>          </u>	<u>(21,983)</u>	<u>(21,983)</u>
Balance as of December 31, 2007	<u>\$ 248,212</u>	<u>\$ 52,166</u>	<u>\$ 31,009</u>	<u>\$ 331,387</u>

See accompanying notes to financial statements

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Net (loss)/income	\$ (21,984)	143,496
Adjustments to reconcile net income to		
net cash (used) provided by operating activities		
Depreciation and amortization expense	10,651	15,831
Changes in		
Securities owned, net	(123,670)	114,886
Receivable from clearing organization	357,010	256,979
Other receivables	(55,811)	(39,419)
Prepaid expenses and other assets	(52,336)	(36,464)
Accounts payable and accrued expenses	(529,368)	258,033
Payable to clearing organization	61,912	-
Marketable equity securities sold short	<u>47,085</u>	<u>(113,660)</u>
Net cash (used) provided by		
operating activities	(306,511)	599,682
Cash flows from investing activities		
Property and equipment expenditures	<u>(6,800)</u>	<u>(3,552)</u>
Cash flows from financing activities		
Repayment of capital lease	<u>(4,080)</u>	<u>(11,017)</u>
Net (decrease) increase in cash and cash equivalents	(317,391)	585,113
Cash and cash equivalents as of beginning of year	<u>621,621</u>	<u>36,508</u>
Cash and cash equivalents as of end of year	<u>\$ 304,230</u>	<u>\$ 621,621</u>
Cash paid during the year for		
Interest	<u>\$ 15,424</u>	<u>\$ 39,985</u>
Income taxes	<u>\$ 153,352</u>	<u>\$ -</u>

See accompanying notes to financial statements

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
December 31, 2007 and 2006

Note 1 - Summary of significant accounting policies

Organization

Buckman, Buckman & Reid, Inc. was formed on September 7, 1988 under the provisions of the Business Corporation Law of New Jersey. The Company is registered as a broker-dealer pursuant to Section 15(b) of the Securities and Exchange Act of 1934, and is authorized to engage in business as a broker or dealer retailing corporate securities over the counter and as a mutual fund retailer. The Company also provides investment advisory services. The Company does not hold customer funds or securities, and processes all transactions through an independent clearing service. Buckman Advisory Group, LLC was formed under the state laws of New Jersey and began activity during 2006 providing investment advisory services.

Basis of consolidated statements

The consolidated financial statements include the accounts of Buckman, Buckman & Reid, Inc. and Buckman Advisory Group, LLC. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

Use of estimates

The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Marketable equity securities

Marketable equity securities are carried at market value. The resulting difference between cost and market value is included in income.

Property and equipment

Property and equipment is carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets which is approximately three to five years.



*BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE*  
Notes to Consolidated Financial Statements (cont'd)  
December 31, 2007 and 2006

Note 1 - Summary of significant accounting policies (cont'd)

Net capital requirements

The Company, as a registered broker and dealer in securities, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under the provisions of the rule, the Company must maintain net capital, as defined, equal to \$100,000. Under such rule, the Company is prohibited from engaging in any securities transactions whenever its aggregate indebtedness exceeds 15 times its net capital. As of December 31, 2007, the Company had net capital (as defined by Rule 15c3-1) of \$196,188 (\$332,412 as of December 31, 2006) which was \$96,188 greater (\$232,412 greater as of December 31, 2006) than the aforementioned net capital requirement. The net capital requirement, as defined, was the greater of \$100,000 or 6 2/3% of aggregate indebtedness (\$691,898), for the year ended December 31, 2007.

Commissions

Commission revenue is earned on customers' orders and is paid directly by the clearing broker.

Commission revenue and related expenses are recorded on the date the specific transaction is consummated (transaction date basis). Settlement of such transactions generally occurs on or before the third business day following the transaction date.

Customer accounts

All customer accounts are carried by a correspondent broker on a fully-disclosed basis.

Income taxes

Deferred income taxes are provided for temporary differences between the basis of the Company's assets and liabilities for financial reporting and income taxes. Valuation allowances are established when necessary to reduce tax assets to the amount expected to be realized.

Note 2 - Deposit with clearing organization

The Company is required to maintain a \$100,000 good-faith deposit with a clearing organization. Such deposit is required to be maintained with the clearing organization so long as the clearing agreement remains in effect. In May of 2004, the Company entered into a five year agreement with National Financial Services LLC (NFS). At the end of the five year term this agreement will automatically renew for additional successive one year periods unless and until either party gives the other ninety days written notification of intent to terminate.

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements (cont'd)  
December 31, 2007 and 2006

**Note 3 - Property and equipment**

Property and equipment consists of the following as of December 31:

	<u>2007</u>	<u>2006</u>
Furniture and equipment	\$ 182,852	\$ 176,052
Leasehold improvements	<u>19,760</u>	<u>19,760</u>
	202,612	195,812
Less: accumulated depreciation	<u>180,856</u>	<u>170,205</u>
	<u>\$ 21,756</u>	<u>\$ 25,607</u>

For the years ended December 31, 2007 and 2006, depreciation and amortization expense amounted to \$10,651 and \$15,831 respectively.

**Note 4 - Subordinated loans**

Subordinated loans consist of the following as of December 31, 2007 and 2006:

	<u>Maturity date</u>	<u>Interest rate</u>	<u>2007</u>	<u>2006</u>
Unsecured subordinated loan agreement with affiliate	01/31/09	10%	\$ 25,000	\$ 25,000
Unsecured subordinated loan agreement	09/28/10	8%	60,000	60,000
Unsecured subordinated loan agreements	08/14/09	8%	50,000	50,000
Unsecured subordinated loan agreement	10/15/08	8%	100,000	100,000
Unsecured subordinated loan agreement	08/30/10	10%	125,000	125,000
			<u>\$360,000</u>	<u>\$360,000</u>

Interest expense charged to operations for the years ended December 31, 2007 and 2006 under the subordinated loan agreements amounted to \$30,897 in 2007 (\$30,758 in 2006.)

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements (cont'd)  
December 31, 2007 and 2006

**Note 5 - Related party transactions**

Included in Other receivables is approximately \$150,000 of advances made to the stockholders of the Company. The advances are payable over the normal course of business.

**Note 6 - Income taxes**

The provision for income taxes is summarized as follows:

Expense for the year ended December 31, 2007:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 7,500	\$ -	\$ 7,500
States	9,950	-	9,950
	<u>\$ 17,450</u>	<u>\$ -</u>	<u>\$ 17,450</u>

Benefit for the year ended December 31, 2006:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 88,000	\$ -	\$ 88,000
States	12,000	-	12,000
	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

The components of deferred tax assets at October 31, 2007 are as follows:

	<u>2007</u>
State net operating loss carryforwards	\$ 840,000
Less: valuation allowance	<u>(840,000)</u>
	<u>\$ -</u>

The Company has available net operating loss carryforwards of approximately \$840,000 for State income tax purposes expiring from 2010 through 2011.

Realization of the deferred tax assets is dependent upon generating sufficient future taxable income. Management is of the opinion that it is more likely than not that future taxable income will not be sufficient to realize the above tax assets and have, therefore, provided a full valuation allowance.

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements (cont'd)  
December 31, 2007 and 2006

**Note 7 - Lease commitments**

The Company occupies its office facilities and uses certain equipment under various operating leases. Rent expense charged to operations under the aforementioned lease agreements amounted to \$113,436 in 2007 and \$121,434 in 2006.

The approximate annual minimum rental payment commitments under non-cancelable leases are as follows:

2008	\$ 106,500
2009	108,000
2010	108,000
2011	108,000
2012	108,000
Thereafter	<u>144,000</u>
	<u>\$ 682,500</u>

**Note 8 - Litigation**

The Company is involved in various claims, counterclaims and lawsuits, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such actions would not be material to the Company's financial position.

**Note 9 - Obligation under capital lease**

The company has entered into a capital lease for certain office computer equipment. Obligations under capital leases have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 16%. The capitalized cost and accumulated depreciation of this equipment are as follows:

	December 31,	
	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 29,965	\$ 29,965
Less: accumulated depreciation	<u>(29,965)</u>	<u>(26,636)</u>
	<u>\$ -</u>	<u>\$ 3,329</u>

**Note 10 - Net capital requirement**

The clearing agreement with NFS requires the Company to maintain net capital (calculated in accordance with SEC Rule 15c3-1) of \$250,000. At December 31, 2007 the Company is in compliance with this requirement.

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Computation of Net Capital Under Rule 15c3-1  
December 31, 2007

Net capital	
Common stock	\$ 248,212
Additional paid-in capital	52,166
Retained earnings	<u>31,009</u>
Total stockholders' equity qualified for net capital	331,387
Add	
Subordinated borrowings allowable in computation of net capital	<u>360,000</u>
Total capital and allowable subordinated borrowings	691,387
Deductions and/or charges	
Nonallowable assets	
Other receivable	191,980
Prepaid expenses and other assets	172,949
Unsecured debit balances	<u>1,734</u>
Total deductions and/or charges	<u>366,661</u>
Net capital before haircuts on securities positions	324,726
Haircuts on other securities owned	107,868
Undue concentrations of securities	19,247
Other	<u>1,423</u>
Net capital	196,188
Minimum capital required to be maintained	<u>100,000</u>
Net capital in excess of minimum capital requirement	<u>\$ 96,188</u>
Aggregated indebtedness	<u>\$ 691,898</u>
Ratio of aggregate indebtedness to net capital	<u>3.53 to 1</u>

Note

In accordance with rule 15c3-1(a)(1), the Company is required to maintain the greater of net capital of \$100,000 or 6 2/3% of aggregated indebtedness.

The above computation does not differ from the computation as previously filed with the National Association of Security dealers Form X-17a-5 by the Company.

**BUCKMAN, BUCKMAN & REID, INC. AND AFFILIATE**  
Computation of Net Capital Under Rule 15c3-1  
December 31, 2006

Net capital	
Common stock	\$ 248,212
Additional paid-in capital	52,166
Retained earnings	<u>52,992</u>
Total stockholders' equity qualified for net capital	353,370
Add	
Subordinated borrowings allowable in computation of net capital	<u>360,000</u>
Total capital and allowable subordinated borrowings	713,370
Deductions and/or charges	
Nonallowable assets	
Other receivable	136,169
Prepaid expenses and other assets	124,463
Unsecured debit balances	<u>860</u>
Total deductions and/or charges	<u>261,492</u>
Net capital before haircuts on securities positions	451,878
Haircuts on other securities owned	88,547
Undue concentrations of securities	28,270
Other	<u>2,649</u>
Net capital	332,412
Minimum capital required to be maintained	<u>100,000</u>
Net capital in excess of minimum capital requirement	<u>\$ 232,412</u>
Aggregated indebtedness	<u>\$1,225,348</u>
Ratio of aggregate indebtedness to net capital	<u>3.69 to 1</u>

Note

In accordance with rule 15c3-1(a)(1), the Company is required to maintain the greater of net capital of \$100,000 or 6 2/3% of aggregated indebtedness.

The above computation does not differ from the computation as previously filed with the National Association of Security dealers Form X-17a-5 by the Company.

February 6, 2008

The Board of Directors  
Buckman, Buckman & Reid, Inc. and Affiliate  
174 Patterson Ave.  
Shrewsbury, New Jersey 07702

Gentlemen:

In planning and performing our audit of the financial statements of Buckman, Buckman & Reid, Inc. and Affiliate ("the Company"), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregated debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making the quarterly securities examination, counts verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the



preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17(a)-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange



The Board of Directors  
Buckman, Buckman & Reid, Inc. and Affiliate  
February 6, 2008  
Page Three

Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management of Buckman, Buckman & Reid, Inc. and Affiliate, the National Association of Securities Dealers, Inc., the Securities and Exchange Commission, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*McGuigan Tombs & Co. PC*

McGuigan Tombs & Company, P.C.  
Certified Public Accountants

END